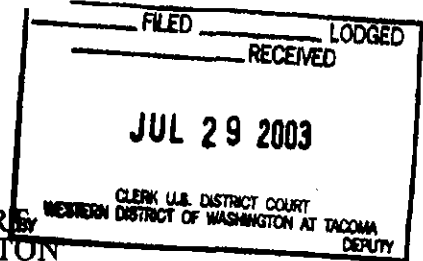


Judge Marsha J. Pechman

02-CR-00260-MISC



UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

KEVIN L. LAWRENCE,

Defendant.

NO. CR02-260P

PLEA AGREEMENT

The United States of America, by and through John McKay, United States Attorney for the Western District of Washington, and Jeffrey B. Coopersmith, Ye-Ting Woo, and Richard E. Cohen, Assistant United States Attorneys for said District, and Todd Brilliant, Special Assistant United States Attorney for said district, and the defendant, KEVIN L. LAWRENCE, and his attorneys, Russell M. Aoki and Jennifer Shaw, enter into the following Agreement, pursuant to Federal Rule of Criminal Procedure 11(c):

1. The Charge(s). Defendant, having been advised of the right to have this matter tried before a jury, agrees to waive that right and enter pleas of guilty to the following three counts of the Second Superseding Indictment:

Count 1, which charges Conspiracy to Commit Securities Fraud, Wire Fraud, Mail Fraud, Unlawful Sale of Unregistered Securities, Money Laundering, and Engaging in Monetary Transactions with Proceeds of Unlawful Activity, in violation of Title 18, United States Code, Section 371;

1 Count 5, which charges Securities Fraud, in violation of Title 15, United States
2 Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section
3 240.10b-5; and

4 Count 56, which charges Wire Fraud, in violation of Title 18, United States
5 Code, Section 1343.

6 By entering these pleas of guilty, Defendant hereby waives all objections to the
7 form of the charging document. If Defendant complies fully with this Plea Agreement,
8 the United States will move to dismiss Counts 2 through 4, 6 through 55, and 57
9 through 114 of the Second Superseding Indictment at the time of sentencing.

10 2. Elements of the Offenses

11 a. The elements of the offense of Conspiracy to Commit Securities
12 Fraud, Wire Fraud, Mail Fraud, Unlawful Sale of Unregistered Securities, Money
13 Laundering, and Engaging in Monetary Transactions with Proceeds of Unlawful
14 Activity, as charged in Count 1 of the Second Superseding Indictment, in violation of
15 Title 18, United States Code, Section 371, are as follows: (1) there was an agreement
16 between Defendant and at least one other person to commit Securities Fraud, Wire
17 Fraud, Mail Fraud, Unlawful Sale of Unregistered Securities, Money Laundering, and
18 Engaging in Monetary Transactions with Proceeds of Unlawful Activity, or at least one
19 of these offenses; (2) Defendant became a member of the conspiracy knowing of at
20 least one of its objects and intending to help accomplish such object or objects; and
21 (3) one of the members of the conspiracy performed at least one overt act for the
22 purpose of carrying out the conspiracy.

23 b. The elements of the offense of Securities Fraud, as charged in the
24 Second Superseding Indictment, in violation of Title 15, United States Code, Sections
25 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240-10b-5, are
26 that Defendant: (1) unlawfully, knowingly, and willfully, (2) directly or indirectly,
27 (3) by the use of means and instrumentalities of interstate commerce, or of the mails,
28 (4) used and employed in connection with the purchases and sales of securities,

1 (5) manipulative and deceptive devices and contrivances in violation of Title 17, Code
2 of Federal Regulations, Section 240.10b-5, by (i) employing devices, schemes, and
3 artifices to defraud; (ii) making untrue statements of material facts and omitting to state
4 material facts necessary to make the statements made, in light of the circumstances in
5 which they were made, not misleading; or (iii) engaging in acts, practices, and courses
6 of business which operated and would operate as a fraud and deceit upon other persons.

7 c. The elements of the offense of Wire Fraud, in violation of Title 18,
8 United States Code, Section 1343, as charged in the Second Superseding Indictment,
9 are as follows: (1) Defendant knowingly and willfully made up a scheme or plan to
10 defraud or for obtaining money or property by making false promises or statements; (2)
11 Defendant knew that such promises or statements were false; (3) the promises or
12 statements were of a kind that would reasonably influence a person to part with money
13 or property; (4) Defendant acted with the intent to defraud; and (5) Defendant used, or
14 caused to be used, wire communications in interstate commerce to carry out an
15 essential part of the scheme.

16 3. The Penalties. Defendant understands that the statutory penalties for the
17 offense of Conspiracy to Commit Securities Fraud, Wire Fraud, Mail Fraud, Unlawful
18 Sale of Unregistered Securities, Money Laundering, and Engaging in Monetary
19 Transactions with Proceeds of Unlawful Activity, as charged in Count 1 of the Second
20 Superseding Indictment, in violation of Title 18, United States Code, Section 371, are
21 as follows: imprisonment for up to five (5) years, a fine of up to two hundred fifty
22 thousand dollars (\$250,000), a period of supervision following release from prison of
23 between two (2) and three (3) years, and a one hundred dollar (\$100) penalty
24 assessment.

25 Defendant understands that the statutory penalties for the offense of Securities
26 Fraud, as charged in Count 5 of the Second Superseding Indictment, in violation of
27 Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal
28 Regulations, Section 240-10b-5, are as follows: imprisonment for up to ten (10) years,

1 a fine of up to one million dollars (\$1,000,000), a period of supervision following
2 release from prison of between two (2) and three (3) years, and a one hundred dollar
3 (\$100) penalty assessment.

4 Defendant understands that the statutory penalties for the offense of Wire Fraud,
5 as charged in as charged in Count 56 of the Second Superseding Indictment, are as
6 follows: imprisonment for up to five (5) years, a fine of up to two hundred fifty
7 thousand dollars (\$250,000.00), a period of supervision following release from prison
8 of between two (2) and three (3) years, and a one hundred dollar (\$100.00) penalty
9 assessment.

10 Defendant further understands and acknowledges that these maximum statutory
11 penalties may be imposed consecutively, so that the total maximum statutory penalties
12 for Counts 1, 5, and 56 of the Second Superseding Indictment are twenty (20) years of
13 imprisonment, a fine of one million five hundred thousand dollars (\$1,500,000), a
14 period of supervision following release from prison of between two (2) and three (3)
15 years, and a three hundred dollar (\$300) penalty assessment.

16 Defendant further understands that the Court may impose an alternative fine of
17 up to twice the pecuniary gain or loss.

18 Defendant agrees that the total of \$300 in penalty assessments shall be paid at or
19 before the time of sentencing.

20 Defendant agrees that any monetary penalty the Court imposes, including the
21 special assessment, fine, costs or restitution, is due and payable immediately, and
22 further agrees to submit a completed Financial Statement of Debtor form as requested
23 by the United States Attorney's Office.

24 Defendant understands that supervised release is a period of time following
25 imprisonment during which he will be subject to certain restrictions and requirements.
26 Defendant further understands that if supervised release is imposed and he violates one
27 or more of its conditions, he could be returned to prison for all or part of the term of
28

1 supervised release that was originally imposed. This could result in Defendant serving
2 a total term of imprisonment greater than the statutory maximum stated above.

3 4. Rights Waived by Pleading Guilty. Defendant understands that, by
4 pleading guilty, he knowingly and voluntarily waives the following rights:

- 5 a. The right to plead not guilty, and to persist in a plea of not guilty;
- 6 b. The right to a speedy and public trial before a jury of Defendant's
7 peers;
- 8 c. The right to the effective assistance of counsel at trial, including, if
9 Defendant could not afford an attorney, the right to have the Court appoint one for
10 Defendant;
- 11 d. The right to be presumed innocent until guilt has been established
12 at trial, beyond a reasonable doubt;
- 13 e. The right to confront and cross-examine witnesses against
14 Defendant at trial;
- 15 f. The right to compel or subpoena witnesses to appear on
16 Defendant's behalf at trial;
- 17 g. The right to testify or to remain silent at trial, at which trial such
18 silence could not be used against Defendant; and
- 19 h. The right to appeal a finding of guilt or any pretrial rulings.

20 5. Applicability of Sentencing Guidelines. Defendant understands and
21 acknowledges the following:

- 22 a. The United States Sentencing Guidelines, promulgated by the
23 United States Sentencing Commission, are applicable to this case;
- 24 b. The Court will determine Defendant's applicable Sentencing
25 Guidelines range at the time of sentencing;
- 26 c. The Court may impose any sentence authorized by law, including a
27 sentence that, under some circumstances, departs from any applicable Sentencing
28 Guidelines range up to the maximum term authorized by law;

1 d. The Court is not bound by any recommendation regarding the
2 sentence to be imposed, or by any calculation or estimation of the Sentencing
3 Guidelines range offered by the parties, or by the United States Probation Department;
4 and

5 e. Defendant may not withdraw a guilty plea solely because of the
6 sentence imposed by the Court.

7 6. Ultimate Sentence. Defendant acknowledges that no one has promised or
8 guaranteed what sentence the Court will impose.

9 7. Loss Amount. The United States and Defendant agree that the correct
10 loss amount for purposes of applying U.S.S.G. § 2B1.1(b)(1) (Nov. 2001) is greater
11 than fifty million dollars (\$50,000,000) but less than one hundred million dollars
12 (\$100,000,000).

13 8. Restitution. Defendant shall pay restitution to the Receiver appointed by
14 the Court in Securities and Exchange Commission v. Health Maintenance Centers,
15 Inc., et. al., C02-153P (W.D. Wa.), in the amount determined by the Court at
16 sentencing, with credit for any amounts already paid or collected (including any amount
17 recovered pursuant to paragraph 9 below), for distribution by the Receiver to those
18 persons classified as investors. Restitution ordered by the Court shall be due and
19 payable immediately and shall be paid in accordance with a schedule of payments as set
20 by the United States Probation Office and ordered by the Court. In the event that the
21 Receivership terminates prior to Defendant's full payment of restitution in the amount
22 ordered by the Court, the Defendant shall pay restitution to those persons classified as
23 investors in the Court's final distribution order in Securities and Exchange Commission
24 v. Health Maintenance Centers, Inc., et. al., C02-153P (W.D. Wa.).

25 9. Forfeiture. Defendant agrees to forfeit to the United States immediately
26 all of his right, title and interest in any and all property, real or personal, constituting,
27 or derived from, any proceeds Defendant obtained, directly or indirectly, from or as
28 the result of the charged offenses, that are subject to forfeiture pursuant to Title 18,

1 United States Code, Sections 981(a)(1)(C), 1956(c)(7), and 1961(1), and Title 28,
2 United States Code, Section 2461(c), including but not limited to the following assets
3 and any proceeds from the sale of the following assets:

- 4 a. one (1) Brequet Type XX Men's Watch, Model No. 4227;
- 5 b. one (1) Rolex Oyster Men's Watch;
- 6 c. one (1) Tag Heuer Men's Watch, Model #WG1120-KO;
- 7 d. five (5) Swords, more fully described as follows:
 - 8 1. one (1) sword with a large lion face guard (larger of the
 - 9 two), maker unknown;
 - 10 2. one (1) Jemadar dagger by Jose De Braga;
 - 11 3. one (1) sword with a large lion guard (smaller of the two),
 - 12 maker unknown;
 - 13 4. one (1) Vektran dagger by Jose DeBraga; and
 - 14 5. one (1) Vektran sword by Jose DeBraga;
- 15 e. one (1) 1978 Mako vessel, serial # MRK106070478M25 & EZ
- 16 Loader trailer, VIN # 1ZE1S428PAN24310;
- 17 f. one (1) 1999 Yamaha Wave Runner jet ski, Serial #
- 18 YAMA4636C999, and 1999 Shore Land'r trailer, VIN #1MDH1MJ17XA066535;
- 19 g. one (1) 2001 Ferrari F-1 360 Modena Spyder, VIN
- 20 #ZFFYT53A210123121, or the proceeds from the interlocutory sale of the 2001 Ferrari
- 21 F-1 360 Modena Spyder;
- 22 h. one (1) 1990 Donzi vessel, Serial # DMRA083L990, and 1991
- 23 Trail Rite boat trailer, VIN # 1T0BS10TXMS115882;
- 24 i. one (1) 2000 Mercedes-Benz G-Wagen Brabus Cabriolet,
- 25 VIN # WDBEG4069Y7121043;
- 26 j. one (1) 2000 AM General Hummer 4 door, VIN #
- 27 137ZA843XYE190060;
- 28

1 k. one (1) 1996 Black AM General Hummer, VIN
2 #137ZA9038TE170751;

3 l. one (1) 2001 Ducati 996SPC Motorcycle, VIN #
4 ZDM1SB5T31B010092;

5 m. one (1) 2001 Yamaha YFM 600 Grizzly ATV,
6 VIN # JY4AJ02Y31A003778;

7 n. one (1) 2001 Yamaha YFM 600 Grizzly ATV,
8 VIN # JY4AJ02Y91A004658;

9 o. one (1) 1972 De Tomaso Pantera, VIN # THPNLJ02144; and

10 p. one (1) 1983 De Tomaso Pantera, VIN # THPNAR09259;

11 Defendant agrees that each of the above-listed assets constitutes or is traceable to
12 the proceeds of the offense charged in Count 1 of the Second Superseding Indictment,
13 Conspiracy to Commit Securities Fraud, Wire Fraud, Mail Fraud, Unlawful Sale of
14 Unregistered Securities, Money Laundering, and Engaging in Monetary Transactions
15 with Proceeds of Unlawful Activity, in violation of Title 18, United States Code,
16 Section 371.

17 Defendant agrees to fully assist the United States in the forfeiture of the listed
18 assets and to take whatever steps are necessary to pass clear title to the United States,
19 including but not limited to: surrendering title and executing any documents necessary
20 to effectuate such forfeiture; assisting in bringing any assets located outside the
21 United States within the jurisdiction of the United States; and taking whatever steps are
22 necessary to ensure that assets subject to forfeiture are not sold, disbursed, wasted,
23 hidden, or otherwise made unavailable for forfeiture. Defendant agrees not to file a
24 claim and not to pursue any claim to any of the listed property in any civil forfeiture
25 proceeding, administrative or judicial, which may be initiated.

26 Defendant further agrees to provide a truthful statement regarding all of his
27 assets, and to make a full and complete disclosure of all assets in which Defendant has
28 any interest or over which Defendant exercises control and those which are held or

1 controlled by a nominee(s). Defendant further agrees to submit to a polygraph
2 examination on the issue of assets if it is deemed necessary by the United States.

3 The United States reserves its right to proceed against any remaining assets not
4 identified in this Plea Agreement, including any property in which Defendant has any
5 interest or control, if said assets, real or personal, tangible or intangible, constitute or
6 are traceable to proceeds of the offenses charged in the Second Superseding Indictment.

7 In lieu of forfeiture, the United States may elect to have Defendant convey all of
8 his right, title, and interest in any of the property listed above, and in any other real or
9 personal property constituting or traceable to the offenses charged in the Second
10 Superseding Indictment to the Receiver appointed by the Court in Securities and
11 Exchange Commission v. Health Maintenance Centers, Inc., C02-153P (W.D. Wa.).
12 If the United States notifies Defendant of its election to proceed in this fashion with
13 respect to one or more assets, Defendant shall immediately execute all documents
14 necessary, and shall cooperate fully with the Receiver and the United States, to convey
15 all of his right, title and interest in any such asset(s) to the Receiver. Any unreasonable
16 delay or failure to do so will constitute a breach of this Plea Agreement.

17 10. Statement of Facts. The parties agree on the following facts in support of
18 Defendant's guilty pleas and for purposes of calculating the base offense level of the
19 Sentencing Guidelines. Defendant admits he is guilty of the charged offenses.

20 a. Defendant and the United States stipulate and agree that all of the
21 allegations contained in Counts 1, 5, and 56 of the Second Superseding Indictment,
22 which is attached hereto and made a part of this Plea Agreement, are true and correct.

23 b. Defendant admits and agrees that he intentionally, knowingly, and
24 willfully defrauded thousands of investors out of up to \$100 million through his
25 leadership of a massive conspiracy and scheme to defraud involving false
26 representations and failures to disclose truthful and accurate information in connection
27 with the sale of the securities of Znetix, Inc., Health Maintenance Centers, Inc.,
28 Cascade Pointe, LLC, and affiliated entities.

1 c. Defendant further admits and agrees that he intentionally,
2 knowingly, and willfully used the funds received from investors for his own personal
3 use and benefit and for the use and benefit of his coconspirators and others, including
4 for the purchase of luxurious homes, cars, boats, merchandise, and travel.

5 d. Defendant further admits and agrees that he intentionally,
6 knowingly, and willfully made false statements and directed others to make false
7 statements to the State of Washington's Department of Financial Institutions, Securities
8 Division, and to the United States Securities and Exchange Commission.

9 11. Waiver of Attorney-Client and Work-Product Privileges. By signing this
10 Plea Agreement, Defendant waives any and all attorney-client and work-product
11 privileges that he might otherwise hold, with respect to all communications on behalf of
12 himself and all entities that he managed or controlled, that occurred with Ogden
13 Murphy Wallace PLLC and all other law firms except for McKay Chadwell PLLC and
14 Aoki & Sakamoto LLP. Defendant further waives the confidentiality of secrets relating
15 to such representation, and agrees to cause the law firms to produce their files and
16 records (including work-product).

17 12. Cooperation with Receiver. Defendant agrees to cooperate completely
18 and truthfully with the Receiver appointed by the Court in Securities and Exchange
19 Commission v. Health Maintenance Centers, Inc., et. al., C02-153P (W.D. Wa.), and
20 with any agents and counsel employed or retained by the Receiver. Defendant further
21 agrees to identify third parties that had knowledge of his fraudulent activities and to
22 assist the Receiver in prosecuting civil actions against said third parties on behalf of the
23 victims, including but not limited to actions to recover proceeds, or assets purchased
24 with proceeds, from the conspiracy and scheme to defraud charged in the Second
25 Superseding Indictment.

26 13. Defendant's Statements to Government. The Defendant agrees to
27 truthfully provide to the Government all information and evidence the Defendant has
28 concerning the offenses that were part of the same course of conduct and common

1 scheme or plan, and all criminal conduct perpetrated by himself and others. Defendant
2 acknowledges that this obligation shall continue after Defendant has entered guilty pleas
3 and sentence has been imposed. Defendant's failure to do so may constitute a breach of
4 this Plea Agreement.

5 Furthermore, Defendant understands that the United States will tolerate no
6 deception from him. If, in the estimation of the United States Attorney, information or
7 testimony provided from the date of the Plea Agreement, proves to be untruthful or
8 incomplete in any way, regardless of whether the untruthfulness helps or hurts the
9 United States' case against any other persons, the United States Attorney for the
10 Western District of Washington may consider that Defendant has breached this Plea
11 Agreement

12 14. Waiver of Appeal. Defendant is aware that 18 U.S.C. § 3742 gives the
13 right to appeal the sentence to be imposed, and that other federal statutes give
14 Defendant the right to appeal other aspects of the conviction. In consideration of the
15 United States's agreement to dismiss Counts 2 through 4, 6 through 55, and 57 through
16 114 of the Second Superseding Indictment at the time of sentencing (if Defendant
17 complies fully with this Plea Agreement), Defendant knowingly and voluntarily agrees
18 to waive the following rights:

19 a. The right, conferred by 18 U.S.C. § 3742, to appeal the sentence
20 imposed by the Court;

21 b. The right to appeal any aspect of Defendant's conviction, including
22 any pretrial suppression matters or other pretrial dispositions of motions and other
23 issues; and,

24 c. The right to bring any collateral attack against Defendant's
25 conviction or sentence, except as it may relate to the effectiveness of legal
26 representation.

27 15. Sentencing Recommendations. The United States and Defendant agree
28 that the edition of the Sentencing Guidelines effective November 1, 2001, applies to

1 this case. The United States and Defendant further agree that no downward departures
2 from the Guidelines are appropriate in this case. The United States and Defendant
3 further agree that the appropriate sentence in this case is twenty (20) years
4 imprisonment, supervised release of three years, restitution in the amount ordered by
5 the Court, and a special penalty assessment of three hundred dollars (\$300). The United
6 States Attorney for the Western District of Washington agrees with Defendant's request
7 that he be placed in a Bureau of Prisons ("BOP") facility outside of the BOP's Western
8 Region and as close as possible to Pensacola, Florida. The BOP's position on the issue
9 of Defendant's placement is as set forth in the two letters dated July 28, 2003, by
10 Harlan W. Penn, Western Regional Counsel for the BOP, attached hereto and
11 incorporated by this reference.

12 16. Non-Prosecution of Additional Offenses. As part of this Plea Agreement,
13 the United States Attorney's Office for the Western District of Washington agrees not
14 to prosecute Defendant for any additional offenses known to it as of the time of this
15 Agreement that are based upon evidence in its possession at this time, or that arise out
16 of the conduct giving rise to this investigation. In this regard, Defendant recognizes
17 that the United States has agreed not to prosecute all of the criminal charges that the
18 evidence establishes were committed by Defendant solely because of the promises made
19 by Defendant in this Agreement. Defendant acknowledges and agrees, however, that
20 for purposes of preparing the Presentence Report, the United States Attorney's Office
21 will provide the United States Probation Office with evidence of all relevant conduct
22 committed by Defendant. This agreement does not apply to any crimes of violence.

23 17. Non-Prosecution of Other Individuals. The United States further agrees
24 that, if the defendant complies fully with this Plea Agreement, the United States
25 Attorney's Office for the Western District of Washington will not criminally prosecute
26 Bonnie Couch, William Couch, Kim Alexander, Stacy Gray, and Vicki Lawrence for
27 any criminal offenses: (1) that are based upon evidence in its possession at this time,
28 (2) that arise out of the conduct giving rise to this investigation, and (3) for which there

1 is venue in the Western District of Washington. This agreement does not apply to any
2 crimes of violence.

3 18. Voluntariness of Plea. Defendant acknowledges that he has entered into
4 this Plea Agreement freely and voluntarily, and that no threats or promises, other than
5 the promises contained in this Plea Agreement, were made to induce Defendant to enter
6 this plea of guilty.

7 19. Statute of Limitations. In the event that this Agreement is not accepted by
8 the Court for any reason, or Defendant has breached any of the terms of this Plea
9 Agreement, the statute of limitations shall be deemed to have been tolled from the date
10 of the Plea Agreement to: (1) thirty days following the date of non-acceptance of the
11 Plea Agreement by the Court; or (2) thirty days following the date on which a breach
12 of the Plea Agreement by Defendant is discovered by the United States Attorney's
13 Office.

14 20. Post-Plea Conduct. Defendant understands that the terms of this Plea
15 Agreement apply only to conduct that occurred prior to the execution of this
16 Agreement. If, after the date of this Agreement, Defendant should engage in conduct
17 that would warrant an increase in Defendant's adjusted offense level or justify an
18 upward departure under the Sentencing Guidelines (examples of which include, but are
19 not limited to: obstruction of justice, failure to appear for a court proceeding, criminal
20 conduct while pending sentencing, and false statements to law enforcement agents, the
21 probation officer or Court), the United States is free under this Agreement to seek a
22 sentencing enhancement or upward departure based on that conduct.

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21. **Completeness of Agreement.** The United States and Defendant acknowledge that these terms constitute the entire Plea Agreement between the parties. This Agreement only binds the United States Attorney's Office for the Western District of Washington. It does not bind any other United States Attorney's Office or any other office or agency of the United States, or any state or local prosecutor.

Dated this 28th day of July, 2003.

KEVIN L. LAWRENCE
Defendant

RUSSELL M. AOKI
Attorney for Defendant

JENNIFER SHAW
Attorney for Defendant

JEFFREY B. COOPERSMITH
Assistant United States Attorney

YE TING WOO
Assistant United States Attorney

RICHARD E. COHEN
Assistant United States Attorney

TODD BRILLIANT
Special Assistant United States Attorney